

# Department of Insurance

Analyst: Freeman

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2004 Total App</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Approp</b>	<b>FY 2006 Request</b>	<b>FY 2006 Gov Rec</b>
<b>BY PROGRAM</b>					
Insurance Regulation	5,186,900	4,955,000	5,317,000	5,890,800	5,972,000
State Fire Marshal	842,000	766,200	934,200	1,081,800	1,078,000
<b>Total:</b>	<b>6,028,900</b>	<b>5,721,200</b>	<b>6,251,200</b>	<b>6,972,600</b>	<b>7,050,000</b>
<b>BY FUND CATEGORY</b>					
Dedicated	5,874,100	5,555,700	6,083,700	6,755,100	6,833,000
Federal	154,800	165,500	167,500	217,500	217,000
<b>Total:</b>	<b>6,028,900</b>	<b>5,721,200</b>	<b>6,251,200</b>	<b>6,972,600</b>	<b>7,050,000</b>
Percent Change:		(5.1%)	9.3%	11.5%	12.8%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	3,870,800	3,699,400	4,106,700	4,398,300	4,385,300
Operating Expenditures	2,038,600	1,912,400	1,992,500	2,242,800	2,333,200
Capital Outlay	117,000	106,900	149,500	329,000	329,000
Trustee/Benefit	2,500	2,500	2,500	2,500	2,500
<b>Total:</b>	<b>6,028,900</b>	<b>5,721,200</b>	<b>6,251,200</b>	<b>6,972,600</b>	<b>7,050,000</b>
Full-Time Positions (FTP)	69.50	69.50	70.50	71.50	71.50

## Department Description

The Department of Insurance has two budgeted programs: Insurance Regulation and the State Fire Marshal.

The Insurance Regulation Program consists of three bureaus:

(1) The Company Activities Bureau is charged with monitoring the financial condition of all insurance entities licensed or approved to sell insurance in this state to ensure that each will be able to meet its obligations to policyholders and creditors. This bureau reviews insurance policy rates and forms to assure compliance with Idaho Code, and collects insurance premium taxes and audits insurance tax and fee returns.

(2) The Consumer Services Bureau licenses insurance agents, brokers, insurance counselors, third party administrators, adjusters, and managing general agents. This bureau provides information to those who need assistance in insurance matters, analyzes consumer and industry complaints, and investigates alleged criminal and administrative violations of the law. Investigators work with state and local law enforcement agencies in the prosecution of those violations. The Consumer Services Bureau is also responsible for the Senior Health Insurance Benefits Advisors (SHIBA), a network of volunteers that provides information and counseling to senior citizens.

(3) The Support Services Bureau provides fiscal, purchasing, and information technology to the Division of Insurance and the Division of the State Fire Marshal.

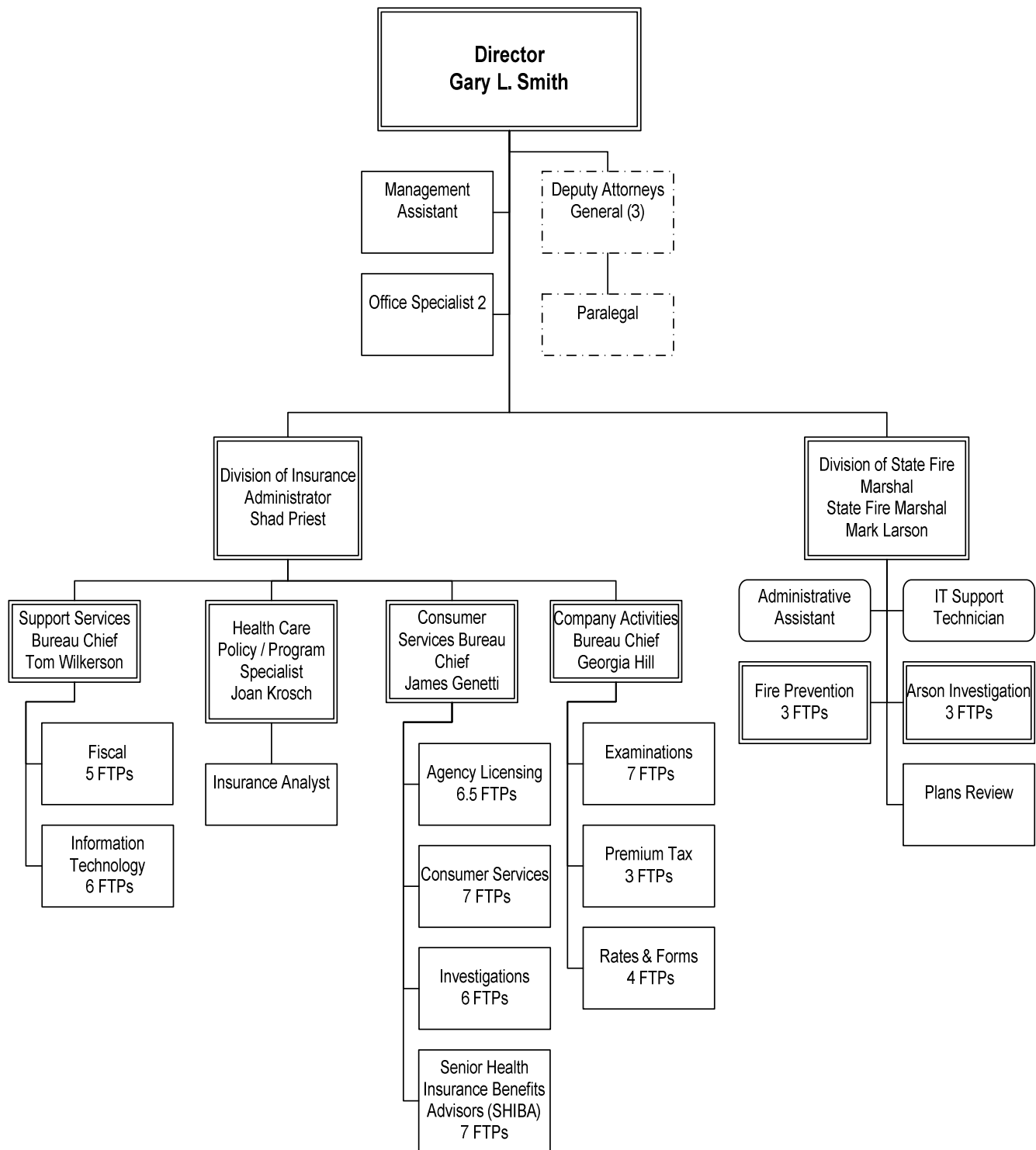
[Statutory Authority: Idaho Code §41-201 et seq.]

The State Fire Marshal focuses on fire prevention and arson investigation. This is done by enforcing the Uniform Fire Code, investigating suspected arson or fraud, and educating the public in matters of fire prevention and hazardous conditions in buildings or premises.

[Statutory Authority: Idaho Code §41-254 - 265]

# Department of Insurance Agency Profile

Analyst: Freeman



# Department of Insurance

## Agency Profile

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### Sources of Funds

**FY 2005  
Original**

<b>Self Governing Operating (0229-10):</b> Fees, licenses and miscellaneous charges assessed on the insurance industry.	\$5,064,600
<b>Self Governing State Fire Marshal (0229-11):</b> Penalties collected as authorized by law; a portion of the continuation fee collected from insurers; other monies or revenues derived from whatever source for arson or fraud investigation or fire prevention; and interest earned on the investment of the fund.	\$934,200
<b>Federal Grant (0348):</b> Health Care Financing Administration, U.S. Department of Health and Human Services - Cooperative Agreement Project Grant.	\$167,500
<b>Miscellaneous Revenue (0349):</b> Funding as a sub-grantee of the Office on Aging.	\$84,900
	<u>\$6,251,200</u>

### Selected Measures

Fiscal Year	FY 2002 Act	FY 2003 Act	FY 2004 Act	FY 2005 Est
<b>1. Monitor Insurers</b>				
a. Company financial analyses completed.	250	260	245	260
b. Company examinations completed.	8	14	5	5
<b>2. Collect and account for premium tax and audit tax and fee returns.</b>				
a. Number of returns filed.	12,444	14,855	17,621	12,121
b. Number of returns audited.	12,444	14,855	17,621	12,121
<b>3. Marketing practices in violation of the insurance code.</b>				
a. Cases opened for investigation.	251	260	238	350
b. Investigations referred for administrative or civil actions.	44	58	50	60
c. Cases in which administrative or civil action was taken.	30	22	29	30
<b>4. Insurance fraud investigations.</b>				
a. Cases referred to department.	251	260	300	325
b. Cases submitted for prosecution.	44	58	39	50
c. Cases in which defendant pled guilty or was convicted.	30	10	18	20

# Department of Insurance

## Agency Profile

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### Premium Tax Distribution

The Department of Insurance is responsible for administering and collecting a tax assessed on all insurance premiums. This tax collected from authorized insurers is in lieu of all other state and local taxes with the exception of real property tax. (Idaho Code §41-405)

*Revenue from the premium tax is distributed to the following funds:*

**INSURANCE REFUND:** Used to reimburse insurers for overpayment of taxes, fines, penalties, etc.

**PERSI:** 50% of the gross tax on fire insurance premiums is used to partially fund the firefighter retirement system.

**HIGH RISK INSURANCE POOL:** If premium tax revenue exceeds \$45 million after all other deductions, 25% of the excess goes into the Individual High Risk Insurance Pool to pay the costs associated with providing health insurance coverage to high risk individuals regardless of health status or claims experience.

**IDAHO HEALTH INSURANCE ACCESS CARD:** If premium tax revenue exceeds \$55 million, 25% of the excess goes to the Idaho Health Insurance Access Card Fund, with 80% going to CHIP Plan B and the children's access card program, and 20% (not to exceed \$1.2 million) to the small business health insurance pilot program. The CHIP Plan B and the children's access card program shall be implemented by July 1, 2004 (FY 2005). Implementation of the small business health insurance pilot program shall begin on July 1, 2005 (FY 2006).

**GENERAL FUND:** the balance of the premium tax, fines and penalties are distributed to the General Fund.

Distribution of Premium Tax Revenues					
	FY03 Act.	FY04 Act.	FY05 Est.	FY06 Est.	
<b>General Fund</b>	\$ 59,249,500	\$ 63,345,700	\$ 59,662,400	\$ 57,006,600	
<b>Insurance Refund</b>	\$ 5,366,800	\$ 4,714,600	\$ 5,022,700	\$ 5,229,400	
<b>PERSI</b>	\$ 3,383,400	\$ 4,001,000	\$ 4,161,100	\$ 4,327,500	
<b>High Risk Insurance Pool</b>	\$ 3,789,700	\$ 5,190,600	\$ 6,000,600	\$ 4,679,900	
<b>Access Card</b>	N/A	\$ 2,690,600	\$ 3,512,600	\$ 2,179,900	
<b>TOTAL</b>	<b>\$ 71,789,400</b>	<b>\$ 79,942,500</b>	<b>\$ 78,359,400</b>	<b>\$ 73,423,300</b>	

NOTE: Distributions can exceed actual revenues slightly, the source of which is fees collected by the agency. Idaho Code §41-401(3)(e) provides that "at the beginning of each fiscal year, those moneys in the Insurance Administrative Account which exceed the current year's appropriation plus any residual encumbrances made against prior years' appropriations by twenty-five percent (25%) or more shall be transferred to the general [fund]."

# Department of Insurance

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## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2005 Original Appropriation</b>	<b>70.50</b>	<b>0</b>	<b>6,251,200</b>	<b>70.50</b>	<b>0</b>	<b>6,251,200</b>
HB 805 One-time 1% Salary Increase	0.00	0	33,200	0.00	0	33,200
Governor's Rescission	0.00	0	0	0.00	0	(5,000)
<b>FY 2005 Total Appropriation</b>	<b>70.50</b>	<b>0</b>	<b>6,284,400</b>	<b>70.50</b>	<b>0</b>	<b>6,279,400</b>
Non-Cognizable Funds and Transfers	0.00	0	49,500	0.00	0	49,500
<b>FY 2005 Estimated Expenditures</b>	<b>70.50</b>	<b>0</b>	<b>6,333,900</b>	<b>70.50</b>	<b>0</b>	<b>6,328,900</b>
Removal of One-Time Expenditures	0.00	0	(232,200)	0.00	0	(228,800)
Base Adjustments	0.00	0	0	0.00	0	1,600
<b>FY 2006 Base</b>	<b>70.50</b>	<b>0</b>	<b>6,101,700</b>	<b>70.50</b>	<b>0</b>	<b>6,101,700</b>
Benefit Costs	0.00	0	57,200	0.00	0	44,200
Inflationary Adjustments	0.00	0	19,400	0.00	0	0
Replacement Items	0.00	0	302,300	0.00	0	302,300
Nonstandard Adjustments	0.00	0	230,900	0.00	0	230,900
Change in Employee Compensation	0.00	0	35,700	0.00	0	35,700
27th Payroll	0.00	0	135,800	0.00	0	135,800
<b>FY 2006 Program Maintenance</b>	<b>70.50</b>	<b>0</b>	<b>6,883,000</b>	<b>70.50</b>	<b>0</b>	<b>6,850,600</b>
1. Market Conduct Analyst	1.00	0	64,600	1.00	0	64,600
2. Vehicle	0.00	0	25,000	0.00	0	25,000
3. Deputy Attorney General	0.00	0	0	0.00	0	109,800
<b>FY 2006 Total</b>	<b>71.50</b>	<b>0</b>	<b>6,972,600</b>	<b>71.50</b>	<b>0</b>	<b>7,050,000</b>
Change from Original Appropriation	1.00	0	721,400	1.00	0	798,800
% Change from Original Appropriation			11.5%			12.8%

# Department of Insurance

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2005 Original Appropriation</b>	70.50	0	6,083,700	167,500	6,251,200
<b>HB 805 One-time 1% Salary Increase</b>					
Agency Request	0.00	0	32,100	1,100	33,200
Governor's Recommendation	0.00	0	32,100	1,100	33,200
<b>Governor's Rescission</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends removal of funds not needed to implement HB 805. In addition, the Governor recommends removal of risk management funding in excess of needs calculated by the Department of Administration.</i>					
Governor's Recommendation	0.00	0	(3,900)	(1,100)	(5,000)
<b>FY 2005 Total Appropriation</b>					
Agency Request	70.50	0	6,115,800	168,600	6,284,400
Governor's Recommendation	70.50	0	6,111,900	167,500	6,279,400
<b>Non-Cognizable Funds and Transfers</b>					
Reflects increase in federal grant funding for SHIBA program.					
Agency Request	0.00	0	0	49,500	49,500
Governor's Recommendation	0.00	0	0	49,500	49,500
<b>FY 2005 Estimated Expenditures</b>					
Agency Request	70.50	0	6,115,800	218,100	6,333,900
Governor's Recommendation	70.50	0	6,111,900	217,000	6,328,900
<b>Removal of One-Time Expenditures</b>					
Reflects removal of HB 805 One-time 1% Salary Increase, non-cognizable funding and one-time replacement item funding.					
Agency Request	0.00	0	(181,600)	(50,600)	(232,200)
Governor's Recommendation	0.00	0	(179,300)	(49,500)	(228,800)
<b>Base Adjustments</b>					
Agency Request	0.00	0	0	0	0
<i>Restore risk management rescission to the base.</i>					
Governor's Recommendation	0.00	0	1,600	0	1,600
<b>FY 2006 Base</b>					
Agency Request	70.50	0	5,934,200	167,500	6,101,700
Governor's Recommendation	70.50	0	5,934,200	167,500	6,101,700
<b>Benefit Costs</b>					
Includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are health insurance rates and retirement rates. Health insurance is projected to increase by 9.7% or \$632 per position. Retirement rates are scheduled to increase by 5.9% from 10.39% to 11% of salary for regular employees. Other benefit changes include a reduction in unemployment insurance rates, a reduction in Division of Human Resources rates for classified employees, and an increase in workers compensation rates.					
Agency Request	0.00	0	57,200	0	57,200
<i>The Governor does not recommend increases related to changes in the Public Employee Retirement System.</i>					
Governor's Recommendation	0.00	0	44,200	0	44,200

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
Inflationary Adjustments					
Includes a general inflationary increase of 1.3% in operating expenditures.					
Agency Request	0.00	0	18,900	500	19,400
The Governor recommends no increase for general inflation.					
Governor's Recommendation	0.00	0	0	0	0
Replacement Items					
INSURANCE					
Capital Outlay: 25 PCs (\$41,300), 4 laptops (\$12,000), 4 servers (\$66,000), 6 printers (\$8,000), 2 photocopiers (\$19,500), 1 fax machine (\$1,800), 3 vehicles (\$60,000).					
FIRE MARSHAL					
Capital Outlay: 3 PCs (\$5,000), 3 laptops (\$9,000), 1 printer (\$600), 2 photocopier (\$4,100), 3 vehicles (\$75,000).					
Agency Request	0.00	0	302,300	0	302,300
Governor's Recommendation	0.00	0	302,300	0	302,300
Nonstandard Adjustments					
The Statewide Cost Allocation Plan assesses state agencies for their actual use of Attorney General, State Controller and State Treasurer services. Also included are changes in property and casualty insurance premiums and the cost of office space leased to state agencies by the Department of Administration.					
Agency Request	0.00	0	181,400	49,500	230,900
Governor's Recommendation	0.00	0	181,400	49,500	230,900
Change in Employee Compensation					
Reflects the cost of a 1% salary increase for permanent and group positions.					
Agency Request	0.00	0	35,700	0	35,700
The Governor recommends a compensation increase of 1% to be distributed based on merit. No adjustment to the pay line is recommended.					
Governor's Recommendation	0.00	0	35,700	0	35,700
27th Payroll					
Reflects the cost of one additional payroll in fiscal year 2006. This happens every eleven or twelve years because there are 364 days in 26 payperiods but a year has 365.242 days.					
Agency Request	0.00	0	135,800	0	135,800
Governor's Recommendation	0.00	0	135,800	0	135,800
FY 2006 Program Maintenance					
Agency Request	70.50	0	6,665,500	217,500	6,883,000
Governor's Recommendation	70.50	0	6,633,600	217,000	6,850,600
1. Market Conduct Analyst			Insurance Regulation		
This enhancement would provide 1 FTP and related funding for a Market Conduct Analyst position. This position would review compliant data, company filings and other statistical data to identify companies that are potentially violating consumer protection standards. This will enable the department to focus its on-site examinations on companies that evidence market conduct problems. This type of analysis is necessary for the department's accreditation with the National Association of Insurance Commissioners.					
Agency Request	1.00	0	64,600	0	64,600
Governor's Recommendation	1.00	0	64,600	0	64,600

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>2. Vehicle</b>					<b>State Fire Marshal</b>
This enhancement would provide \$25,000 in onetime spending authority for the purchase of a vehicle for the new Plan Review Deputy Fire Marshal. The Fire Marshal has identified minimum standards for vehicles in order to meet the requirements for performing arson investigations. The standard vehicle is an extended cab four wheel drive pickup with a camper shell. The agency prefers to purchase used vehicles with low mileage when possible.					
Agency Request	0.00	0	25,000	0	25,000
Governor's Recommendation	0.00	0	25,000	0	25,000
<b>3. Deputy Attorney General</b>					<b>Insurance Regulation</b>
Agency Request	0.00	0	0	0	0
This enhancement would provide one additional deputy attorney general for the Department of Insurance. This position will allow the Department of Insurance to gain consistency in the prosecution of insurance fraud cases. In order for the state to avoid the up front costs in the General Fund for this position, the Department of Insurance offered to prepay for the position in FY 2006. In the first year, the Attorney General will bill the Department for costs associated with the new position, which is why the spending authority in this enhancement is necessary. In subsequent years, the General Fund will be reimbursed through the statewide cost allocation plan.					
Governor's Recommendation	0.00	0	109,800	0	109,800
<b>FY 2006 Total</b>					
Agency Request	71.50	0	6,755,100	217,500	6,972,600
Governor's Recommendation	71.50	0	6,833,000	217,000	7,050,000
Agency Request					
Change from Original App	1.00	0	671,400	50,000	721,400
% Change from Original App	1.4%		11.0%	29.9%	11.5%
Governor's Recommendation					
Change from Original App	1.00	0	749,300	49,500	798,800
% Change from Original App	1.4%		12.3%	29.6%	12.8%